

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 DODE-00 OMB-01 L-03 MC-02 EB-11 IGA-02

SS-20 TRSE-00 SP-03 DRC-01 COME-00 RSC-01 /065 W

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FM AMEMBASSY MONTEVIDEO

TO SECSTATE WASHDC 6961

C O N F I D E N T I A L MONTEVIDEO 1986

E.O. 11652: GDS

TAGS: MASS, UY

SUBJ: USAF MIMEX OFFER 213-A-37 AIRCRAFT

REF: A) MVD 1817; B) STATE 151232

1. REFTEL B. WAS MOST HELPFUL IN PROVIDING VALUABLE INFORMATION TO US, SOME LONG THE LINES REQUESTED IN REFTEL A. HOWEVER, IT CLEARLY WAS A GENERAL MESSAGE ADDRESSING THE OVERALL MIMEX OFFER AND NOT COMPLETELY RESPONSIVE TO OUR NEEDS.

2. AS WAS CLEAR IN REFTEL A, OUR GROWING CONCERN HAS BEEN OUR HANDLING OF THIS WHOLE CREDIT SALE WITH THE GOU. WE WENT TO THE GOU WITH AN OFFER ON A GOVERNMENT TO GOVERNMENT BASIS. A FEW WEEKS LATER WE HAD TO APPROACH THE GOU AGAIN, INDICATING THAT THE PRICE OF OUR OFFER HAD INCREASED BY SOME TWELVE PERCENT. THE USAF MESSAGE REPEATED IN REFTEL B SHED LIGHT ON THE PRICING PROBLEM. HOWEVER, IT RAISED STILL ANOTHER PROBLEM WHICH, IF COMMUNICATED TO THE GOU, WILL EMBARRASS US FURTHER AND BRING INTO QUESTION EITHER OUR GOOD FAITH OR OUR CAPACITY--AND WITH GOOD REASON. WE REFER TO THE NEED, AT THIS LATE STAGE, TO TELL THE GOU THAT THE PRICE WILL BE IN THE \$400,000 TO \$450,000 RANGE, PER UNIT, WITH THE FINAL PRICE TO BE DETERMINED BY AN ENGINEERING STUDY TO BE PAID BY THE GOU EVEN IF IT DOES NOT BUY THE AIRCRAFT. COMMON SENSE AND NORMAL GOOD BUSINESS PRACTICES WOULD SUGGEST THAT THE CUSTOMER BE GIVEN A PRICE FOR AN ARTICLE HE WISHES TO BUY. HOW CAN WE, PARTICULARLY IN DEALING WITH A SOVEREIGN GOVERNMENT WHICH ALREADY FEELS SOME SENSITIVITY OVER MANY ANGLES OF THIS TRANSACTION

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NOW TELL OUR CUSTOMER THAT HE HAS TO PAY TO OBTAIN A COST ESTIMATE

WHETHER HE BUYS OR NOT?

3. SOME TIME AGO LOCKHEED AND DIVISION E SENT REPRESENTATIVES TO URUGUAY, AT THEIR OWN EXPENSE, TO GIVE THE GOU AN ESTIMATE ON REMOVING THE 3G LIMITATION ON THE EXISTING T-33'S. THUS, THE GOU KNOWS THAT U.S. CONTRACTORS ASSUME THE COSTS CONNECTED WITH MAKING EXTIMATES ON JOBS THEY HOPE TO PERFORM.WE WOULD URGE THAT A SIMILAR METHOD BE USED TO ARRIVE AT COST DATA ON THE RECONFIGURATION OF THE A-37'S IN ORDER NOT TO APPROACH THE GOU ALONG THE LINES IMPLIED IN REFTEL B.

4. INASMUCH AS WE MUST MOVE AHEAD WITH THE GOU ON STEPS NEEDED TO COMPLETE THE 1513, WE WOULD APPRECIATE AS PROMPT A RESPONSE AS POSSIBLE.
SIRACUSA

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